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FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

For Quarter Ended March 31, 1992 Commission file number 0-1283

THE STATESMAN GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware	#42-0951848
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1400 Des Moines Building Des Moines, Iowa	50309
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (515) 284-7500

Not applicable
Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes X No ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, $1 par value-13,055,634

The Exhibit Index to this report is located on page 24.
This is page 1 of 31.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Balance Sheets
$(thousands)

ASSETS	March 31 1992 (Unaudited)	December 31 1991 (Audited)
Investments		
Fixed maturities	$2,481,408	$2,417,253
Equity securities	4,594	3,618
Mortgage loans on real estate	154,008	159,240
Policy loans	51,026	50,389
Short-term investments	11,599	5,450
Other	5,783	5,849
TOTAL INVESTMENTS	2,708,418	2,641,799
Cash	1,702	5,947
Receivables		
Agents' balances and uncollected premiums	7,927	7,976
Accrued investment income	45,518	40,595
Other notes and accounts	5,542	5,737
Allowances	(6,181)	(6,171)
TOTAL RECEIVABLES	52,806	48,137
Deferred policy acquisition costs	224,387	222,660
Property and equipment	8,631	8,709
Excess of cost over net assets of acquired subsidiaries	2,838	2,844
Other assets, principally real estate acquired in satisfaction of debt	6,608	6,948
Assets held in separate accounts	19,613	20,248
TOTAL ASSETS	$3,025,004	$2,957,292

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Balance Sheets--Continued
$(thousands)

LIABILITIES AND STOCKHOLDERS' EQUITY	March 31 1992 (Unaudited)	December 31 1991 (Audited)
Liabilities		
Policy liabilities and accruals	$2,748,549	$2,694,446
Other policyholders' funds	49,417	47,249
Accrued expenses and other liabilities	42,803	37,858
Federal income taxes	3,062	2,845
Long-term debt	64,999	65,189
Liabilities related to separate accounts	19,613	20,248
	2,928,443	2,867,835
Commitments and contingencies		
Redeemable preferred stock		
1987 Series II Preferred Stock $1 Par, at redemption and liquidation value, net of ESOP loan guarantee--1992-84,183 shares; 1991-84,213 shares	2,418	1,421
Stockholders' equity		
Series Preferred Stock $1 Par 5,000,000 shares authorized, including redeemable preferred shares; 343,640 shares issued and outstanding (aggregate liquidation preference $15,364)	344	344
Common stock, $1 par value 25,000,000 shares authorized; 14,252,127 shares issued	14,252	14,252
Additional paid-in capital	50,373	50,371
Unrealized depreciation of equity securities	(710)	(578)
Retained earnings	32,975	26,839
Common stock in treasury, at cost 1992-1,196,493 shares; 1991-1,196,941 shares	(3,091)	(3,092)
TOTAL STOCKHOLDERS' EQUITY	94,143	88,036
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,025,004	$2,957,292

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Statements of Income (Unaudited)
$(thousands)

	Three Months Ended March 31	
	1992	1991
Revenue		
Premiums and policy fund charges	$ 13,675	$ 13,205
Net investment income	65,136	57,941
Realized gains on investments	1,382	17
Other	766	963
	80,959	72,126
Benefits, losses and expenses		
Benefits, claims, losses and settlement expenses	55,483	53,678
Amortization of deferred policy acquisition costs	5,963	4,270
Underwriting, acquisition, insurance and other expenses	9,336	7,367
Interest	1,359	1,364
	72,141	66,679
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	8,818	5,447
Federal income tax expense	3,039	1,840
INCOME FROM CONTINUING OPERATIONS	5,779	3,607
Net loss from discontinued operations, less applicable income taxes	(10)	(41)
INCOME BEFORE EXTRAORDINARY ITEM	5,769	3,566
Extraordinary item--reduction of federal income tax expense arising from carryforward of prior years' realized losses on investments and non-life operating losses	550	
NET INCOME	6,319	3,566
Less dividend requirements of Series Preferred Stock $1 Par, less applicable income tax benefits	427	486
NET INCOME APPLICABLE TO COMMON STOCK	$ 5,892	$ 3,080

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Statements of Income (Unaudited)--Continued

	Three Months Ended March 31	
	1992	1991
Net income per common share		
Primary		
Income from continuing operations	$ .40	$ .24
Net loss from discontinued operations	-	-
INCOME BEFORE EXTRAORDINARY ITEM	.40	.24
Extraordinary item--reduction of federal income tax expense arising from carryforward of prior years' realized losses on investments and non-life operating losses	.04	
NET INCOME	$ .44	$ .24
Average shares outstanding used in computations (in thousands)	13,510	12,748
Fully diluted		
Income from continuing operations	$ .33	$ .21
Net loss from discontinued operations	-	-
INCOME BEFORE EXTRAORDINARY ITEM	.33	.21
Extraordinary item--reduction of federal income tax expense arising from carryforward of prior years' realized losses on investments and non-life operating losses	.03	
NET INCOME	$ .36	$ .21
Average shares outstanding used in computations (in thousands)	17,098	16,433

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)
$(thousands)

	Three Months Ended March 31	
	1992	1991
Operating activities		
Income before extraordinary item	$ 5,769	$ 3,566
Adjustments to reconcile net income to net cash from operating activities	36,450	37,365
NET CASH FROM OPERATING ACTIVITIES	42,219	40,931
Investing activities		
Purchase of investments	(283,217)	(432,846)
Principal repayments on mortgage-backed securities and proceeds from sale or maturity of investments	215,802	325,599
Net purchases of property and equipment	(131)	(221)
NET CASH USED IN INVESTING ACTIVITIES	(67,546)	(107,468)
Financing activities		
Issuance of long-term debt, less payments and net of ESOP loan guarantee	810	11,385
Receipts from interest-sensitive insurance and annuity contracts, less related benefit payments	20,489	50,005
Treasury stock utilized		498
Dividends paid to stockholders	(217)	(292)
NET CASH FROM FINANCING ACTIVITIES	21,082	61,596
Net decrease in cash and cash equivalents	(4,245)	(4,941)
Cash and cash equivalents at beginning of period	5,947	5,743
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1,702	$ 802

See accompanying notes.

THE STATESMAN GROUP, INC. and Subsidiaries

Notes to Consolidated Financial Statements

March 31, 1992

NOTE A--BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

NOTE B--COMPUTATION OF EARNINGS PER SHARE

		Three Months Ended March 31	
		1992	1991
		(in thousands, except per share amounts)	
Primary			
Average shares outstanding		13,056	12,748
Net effect of exercisable stock options		454	
	TOTAL	13,510	12,748
Net income applicable to common stock		$ 5,892	$ 3,080
Per share amount		$ .44	$ .24
Fully diluted			
Average shares outstanding		13,056	12,748
Net effect of exercisable stock options		454	
Assumed conversion of Series Preferred Stock $1 Par		3,588	3,685
	TOTAL	17,098	16,433
Net income after reduction for additional contribution that would be required for ESOP debt service		$ 6,201	$ 3,388
Per share amount		$ .36	$ .21

NOTE C--SERIES PREFERRED STOCK

The Board of Directors is authorized to issue 5,000,000 shares of Series Preferred Stock $1 Par from time to time in one or more series and to fix the number of shares, designations, voting powers (if any), preferences and rights, and qualifications, limitations or restrictions of each series. Each series of Series Preferred Stock $1 Par shall be distinctly designated and, except as otherwise stated, shall rank equally and be identical in all respects.

The Company's redeemable preferred stock consists of 100,000 shares of 1987 Series II Preferred Stock $1 Par, of which there were 84,183 and 84,213 shares outstanding at March 31, 1992 and December 31, 1991, respectively. All shares outstanding are owned by the Company's employee stock ownership plan ("ESOP"). The preferred shares provide that the ESOP may require the Company to redeem the shares if there is a change in control, as defined, of the Company. The outstanding redeemable preferred shares are presented at their $100 per share liquidation preference, net of an existing ESOP loan guarantee.

The table below summarizes the Series Preferred Stock $1 Par included in stockholders' equity at March 31, 1992 and December 31, 1991 (dollars in thousands):

Series	Shares Issued	Liquidation Value
1976	200,000	$ 1,000
1988 I	126,000	12,600
1988 II	17,640	1,764
	343,640	$ 15,364

At March 31, 1992 approximately 3,588,000 shares of common stock were reserved for conversion of Series Preferred Stock $1 Par (includes 1,100,000 shares reserved for conversion of 1987 Series II Preferred Stock $1 Par reported as redeemable preferred stock). Preferred dividends in arrears on the 143,640 shares of 1988 Series I and II Preferred Stock $1 Par aggregated $2,586,000, or $18.00 per share, at March 31, 1992.

NOTE D--CONTINGENCIES

Prior to 1984 a portion of the Company's life insurance subsidiaries' current income was not subject to current income tax, but was accumulated for income tax purposes in memorandum accounts designated as "Policyholders' Surplus Accounts". The balance in the Policyholders' Surplus Accounts at December 31, 1983 of $12,672,000 was "frozen" by tax law changes in 1984 and, accordingly, there will be no additions to the accounts after that date. Should the Policyholders' Surplus Accounts exceed a prescribed maximum or should cash distributions to shareholders exceed certain stated maximums, such excess would become subject to federal income taxes at rates then effective. Management does not intend to take action nor does it expect any events to occur that would cause income tax to be payable on these amounts.

NOTE D--CONTINGENCIES--Continued

The Company's subsidiaries are involved in various pending or threatened legal proceedings arising from the conduct of their businesses. These proceedings in some instances include claims for punitive damages and similar types of relief in unspecified or substantial amounts, in addition to amounts for alleged contractual liability or claims for equitable relief. In management's opinion, after consultation with counsel and a review of available facts, these proceedings will be ultimately resolved without materially affecting the financial condition of the Company.

The Company's subsidiaries reinsure with other insurers that portion of risks exceeding each company's retention limit. Such reinsurance is accounted for as a transfer of risk and, accordingly, premiums, policy liabilities and expenses are reported in the accompanying financial statements net of reinsurance ceded to other companies. The Company would remain obligated for ceded risks if the reinsurers do not meet their obligations under reinsurance treaties. Reinsurance premiums assumed are not significant.

The Company and certain of its subsidiaries have entered into employment continuation agreements with certain executives which provide for payments to these executives of amounts up to four times their annual compensation if there is a change in control of the Company (as defined), and a termination of their employment. The agreements do not constitute employment contracts and only apply in circumstances following a change in control. The maximum contingent liability at March 31, 1992 under these agreements is $3,620,000.

From time to time, mandatory assessments are levied on the Company's insurance subsidiaries by life and health guaranty associations of most states in which these subsidiaries are licensed to cover losses to policyholders of insolvent or rehabilitated insurance companies. These associations levy assessments (up to prescribed limits) on all member insurers in a particular state in order to pay claims on the basis of the proportionate share of premiums written by member insurers in the lines of business in which the insolvent or rehabilitated insurer is engaged. These assessments may be deferred or forgiven in certain states if they would threaten an insurer's financial strength and, in some states, these mandatory assessments can be partially recovered through a reduction in future premium taxes. Until the second half of 1991, the amount of these assessments in prior years had not been material. However, the economy and other factors have recently caused a number of failures of substantially larger companies which could result in future assessments in material amounts. At the present time, the Company is not able to reasonably estimate what amounts will ultimately be assessed to its subsidiaries in the future for failures that have occurred to date and, as such, the accompanying consolidated financial statements do not include any provision for such potential assessments. Assessments levied against the Company's insurance subsidiaries and charged to expense for the three months ended March 31, 1992 and 1991 were $1,245,000 and $11,000, respectively.

NOTE D--CONTINGENCIES--Continued

At March 31, 1992 the Company's primary life insurance subsidiary owned $122,091,000 of interest only strips of mortgage-backed securities. The repayment of these interest only securities is dependent on the actual repayment experience of the underlying mortgage loans. The estimated average yield of the the interest only securities at March 31, 1992 was 11.96%. The possibility exists that the underlying mortgage loans could be repaid prior to the Company's subsidiary recapturing its initial cost for the securities. Included in the interest only securities are mortgage-backed securities with a carrying value of $70,029,000 and an estimated average yield of 15.5% at March 31, 1992 that pay interest at a rate that varies inversely with LIBOR. As interest rates decrease and prepayments on the underlying mortgage loans accelerate, the interest rates on the inverse variable interest only securities are expected to increase and may offset the decreases in yield on the other interest only securities.

On August 15, 1990 the Company filed suit in the United States Claims Court against the United States of America. The pending lawsuit concerns contractual agreements which were made by the Federal Savings and Loan Insurance Corporation and the Federal Home Loan Bank Board, former government regulatory agencies that were abolished by the Financial Institutions Reform, Recovery and Enforcement Act of 1989, to induce the Company to capitalize Statesman Bank for Savings, FSB (the "savings bank"), formerly a wholly-owned subsidiary of the Company, for the purpose of acquiring four failed thrift institutions. In the lawsuit, the Company claims that the defendants have breached their contractual agreements with respect to regulatory capital. Accordingly, the pending lawsuit contends that this breach of contract, which resulted in the disallowance of $21 million of capital that the defendants promised would be perpetual for regulatory accounting purposes, constitutes a taking of the Company's property without just compensation and due process of law, in violation of the Fifth Amendment of the United States Constitution.

The pending lawsuit seeks rescission of the transaction between the Company and the government agencies and monetary relief in the amount of the Company's investment plus compensation for monies expended, costs incurred and the value of benefits conferred on the defendant through the Company's purchase, operation and management of the savings bank, totalling in excess of $30 million.

In 1985 the Company sold Statesman Insurance Company, a former property-casualty insurance subsidiary. As part of this sale and as part of a certain reinsurance agreement between Statesman Insurance Company and an unconsolidated affiliated property-casualty insurance company, the Company guaranteed and indemnified Statesman Insurance Company that it would suffer no loss on the insurance liability reinsured by it in excess of the loss and loss adjustment expense reserves transferred to the affiliate pursuant to the terms of the reinsurance agreement.

NOTE E--SUBSEQUENT EVENT

On May 1, 1992 a wholly-owned subsidiary of the Company filed a registration statement with the Securities and Exchange Commission for the issuance of up to 2,760,000 shares of non-convertible redeemable cumulative preferred stock at a proposed offering price of $25 per share. Approximately two-thirds of the net proceeds from the proposed offering will be contributed to the capital of the Company's primary life insurance subsidiary. The remaining net proceeds will be used to purchase zero coupon U.S. government or government agency securities which will be used for the future redemption of the redeemable cumulative preferred stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

THE STATESMAN GROUP, INC. and Subsidiaries

RESULTS OF OPERATIONS

The discussion that follows should be read in conjuction with the discussion contained in the Company's Annual Report on Form 10-K for the year ended December 31, 1991.

Three Months Ended March 31, 1992 Compared to March 31, 1991

Significant factors affecting the comparability of operating results for the quarters ended March 31, 1992 and 1991 are the "investment spread", or the excess of net investment income earned over the interest credited to policyholder account balances, and the amount of realized gains on investments. Operating income, excluding realized gains on investments, increased 35% in 1992 due to a larger investment spread and a larger asset base on which the investment spread was earned. The Company's invested assets increased 13% during the twelve month period ended March 31, 1992 to $2.7 billion, while total assets increased 12% to $3.0 billion, during the same period.

The increase in the investment spread for the quarter ended March 31, 1992 was principally due to declines in the interest rates credited to policyholder account balances. These declines resulted from a general decline in interest rates since the first quarter of 1991 which allowed the Company to reduce interest rates credited in renewal periods below those rates credited in the initial policy year and to reduce initial crediting rates offered on new annuity deposits. At March 31, 1992, the weighted average crediting rate of the Company's annuity liabilities had declined to 6.95% from 7.93% at March 31, 1991.

Even though interest rates in general were lower in the first quarter of 1992 than in 1991, the Company's yield on average invested assets was only 11 basis points lower in the 1992 quarter than in 1991. The Company was able to maintain its 1992 yield near the level of 1991 by increasing its investments in collateralized mortgage obligations and mortgage loans since the first quarter of 1992 (see FINANCIAL CONDITION).

Other significant factors affecting the comparability of operating results between the two quarters were amortization of annuity deferred policy acquisition costs, which increased corresponding to the increase in gross profits resulting from the larger investment spread and larger asset base, and an increase in state guaranty fund assessments (see Note D of Notes to Consolidated Financial Statements and later discussion in this section).

Following are additional comments on the quarter-to-quarter analysis of changes in the individual line items in the consolidated statements of income.

Premiums and policy fund charges increased 4% which consisted of a 1% decrease in life insurance premiums and policy fund charges, a 49% increase in annuity policy fund charges and a 9% decrease in accident and health insurance premiums. Life insurance premiums and policy fund charges decreased primarily due to a decrease in renewal premiums from traditional life insurance offset, in part, by an increase in revenue from universal life insurance policies. The increased policy fund charges from universal life insurance primarily resulted from increased charges earned on policy surrenders.

RESULTS OF OPERATIONS--Continued

Annuity policy fund charges primarily consist of charges earned on policy surrenders which increased due to an increase in annuity liabilities in force. Annuity fund deposits were $75,062,000 and $84,632,000 for the three month periods ended March 31, 1992 and 1991, respectively. This 11% decline in deposits was primarily attributable to lower interest rates and uncertainty regarding proposed tax legislation for annuities which was announced in the first quarter of 1992. The Company does not expect this trend to persist for the balance of the year and expects to meet its goal of $350 million in annuity fund deposits for calendar year 1992.

The decline in accident and health insurance premiums reflects the continuing intention of the Company to reduce operations in this segment. New policies are not being actively solicited and premiums are principally being generated from renewals of guaranteed renewable and non-cancellable individual plans and from renewals and additions to existing group payroll deduction plans.

Net investment income increased 12% due to a 14% increase in average invested assets offset, in part, by the previously discussed 11 basis point decrease in the yield earned on average invested assets.

Generally, gains or losses from the sale of investments are realized based on market conditions not necessarily directly related to insurance operations. Net realized gains in the first quarter of 1992 principally resulted from the sale of higher coupon mortgage-backed securities that were subject to accelerated prepayments due to the general decline in interest rates that occurred in the latter part of 1991. The Company reduced the effect of these sales on its investment yield by reinvesting the proceeds in investment grade corporate bonds, collateralized mortgage obligations and current coupon mortgage-backed securities. In addition, because most of the Company's annuity policies allow the Company to adjust interest crediting rates after the first policy year, any reduction in yield should not materially affect profitability in future periods. Net gains realized on the actual sale of fixed maturity investments in 1991 were offset, in part, by write-downs of corporate debt securities for other than temporary declines in value of $200,000 and by $323,000 for losses on the foreclosure or sale of mortgaged properties.

Other revenue decreased in 1992 principally due to decreases in rental income received from former affiliates that occupied space in the Company's home office building during 1991 and decreased fees received from former affiliates for data processing services.

Benefits, claims, losses and settlement expenses increased 5% which consisted of a 9% increase in life insurance benefits, a 1% increase in annuity benefits and a 55% decrease in accident and health insurance benefits. The increase in life insurance benefits principally resulted from an increase in the interest credited on interest-sensitive life insurance policies due to an increase in policyholder account balances. The small increase in annuity benefits is attributable to a larger volume of business in force in the 1992 quarter which increase was substantially offset by decreases in the interest rates credited on new and existing annuity deposit funds as previously discussed.

RESULTS OF OPERATIONS--Continued

The increase in accident and health benefits was impacted by a $460,000 reduction in previously accrued benefit reserves in the first quarter of 1991 as a result of a favorable settlement of an outstanding claim against the Company. Excluding this item, accident and health insurance benefits would have declined by 7% compared to a 9% decline in accident and health insurance premiums.

Amortization of deferred policy acquisition costs increased 40% as a result of a 75% increase in amortization for annuities offset, in part, by a 10% decrease in amortization for life insurance. The increase in amortization for annuities resulted from a greater volume of business in force and an increase in gross profits earned on this larger volume of business in force. The increase in gross profits generally resulted from a larger profit margin or investment spread on the in force business. The decrease in amortization for life insurance deferred policy acquisition costs resulted from lower amortization on older duration universal life and single premium whole life policies.

Underwriting, acquisition, insurance and other expenses increased 27% which increase reflects an increase in the general level of operating expenses from the prior year quarter. Also, the first quarter of 1992 included a $.,235,000 increase in state guaranty fund assessments charged to expense (see Note D of Notes to Consolidated Financial Statements) and increases in professional and consulting fees.

The decrease in interest expense in 1992 is principally attributable to reduced amounts borrowed under the Company's senior bank credit agreement and lower variable interest rates paid on various outstanding debt. Partially offsetting th s decrease is the additional interest incurred on higher outstanding balances borrowed under a $27,000,000 line of credit by one of our subsidiaries.

Federal income tax expense increased 65% on a 62% increase in pretax income from continuing operations. The effective tax rate for 1992 was 34.5% compared to 33.8% in 1991.

The dividend requirements of Series Preferred Stock $1 Par decreased principally due to a lower prime rate of interest used to determine the dividends on the Company's 1987 Series II Preferred Stock $1 Par and fewer shares of such stock outstanding during the 1992 quarter.

FINANCIAL CONDITION--March 31, 1992

Life insurance liabilities generally are long-term in nature, although subject to earlier surrender. The Company seeks to limit exposure to risks associated with interest rate fluctuations by concentrating its invested assets principally in debt securities of intermediate duration, by attempting to balance the duration of its invested assets with the estimated duration of benefit payments arising from contract liabilities and by diversification.

The Company invests primarily in United States Government and government agency mortgage-backed obligations, corporate fixed maturity securities and mortgage loans on real estate. At March 31, 1992 approximately 57% of its invested assets were in United States Government and government agency mortgage-backed obligations, 34% in corporate debt securities and preferred stocks with mandatory redemption features ("corporate fixed maturity securities"), and 6% in mortgage loans on real estate. The remainder of the invested assets was in short-term debt instruments, policy loans, equity securities and other invested assets.

The Company's investment policies require diversification of corporate fixed maturity securities by industry and limit the amount that can be invested in an individual issuer to reduce concentration risk. At March 31, 1992, excluding collaterlized mortgage obligations issued by non-government entities, the portfolio included securities issued by approximately 330 issuers with an average exposure of approximately $1,642,000 per issuer. Excluding collaterlized mortgage obligations issued by non-government entities, the Company's five largest investments in corporate fixed maturity investments of any one issuer at March 31, 1992 had an aggregate carrying value of approximately $55,825,000 and an estimated market value of $54,408,000. Included in these amounts are the securities of two issuers with an aggregate carrying value and market value at March 31, 1992 of approximately $41,094,000 (before accrued investment income of approximately $6,321,000), one of which is classified as investment grade. The investment grade issue (carrying value of $18,000,000 before accrued investment income of $2,857,000) was subsequently sold in May 1992 for its carrying value plus accrued interest and therefore no gain or loss was realized on its disposition.

At March 31, 1992 investment grade fixed-income securities accounted for 95% of the Company's fixed maturity securities portfolio and 87% of its total invested assets. The Company reduced its holdings of below-investment grade fixed maturity investments to approximately 4.5% and 5% of its invested assets at March 31, 1992 and December 31, 1991, respectively, down from 11% at December 31, 1990 and 15% at December 31, 1989. These reductions resulted from sales and write-downs of the carrying value of such securities, the substantial elimination of all new purchases of such securities since April 1990 and the overall increase in the Company's total invested assets that occurred since December 31, 1989. The Company currently plans to limit its investments in below-investment grade fixed maturity securities to approximately 5% of its total invested assets in 1992.

FINANCIAL CONDITION--Continued

Investments in below-investment grade fixed maturity securities generally have greater risks (and potentially greater returns) than other corporate fixed maturity investments. Risk of loss upon default by the borrower is significantly greater for these securities because they are generally unsecured and are often subordinated to other creditors of the issuer, and because these issuers usually have high levels of indebtedness and are more sensitive to adverse economic conditions, such as recession or increasing interest rates, than are investment grade issuers. Also, the market for below-investment grade securities is less liquid and not as actively traded as the market for investment grade securities. Current market quotations are not always available for all of these securities and market quotes are generally available only from a limited number of dealers and may not represent firm bids of such dealers or prices for actual sales. During 1992 and 1991, market prices for below-investment grade corporate fixed maturity securities improved, primarily due to changing perceptions about the impact of the recession on issuers of below-investment grade securities, the general decline in interest rates and improved financial performance which allowed several issuers to refinance outstanding obligations at lower interest rates or reduce outstanding obligations with the proceeds from the issuance of new equity securities.

At March 31, 1992 the Company's below-investment grade fixed maturity investment portfolio included the securities of 66 different issuers. The carrying value and estimated market value of these investments at March 31, 1992 was $122,355,000 and $116,809,000, respectively.

The Company purchases fixed maturity investments with the intention of holding them to maturity and, as such, all fixed maturity investments are reported as held for investment. However, when market conditions, creditworthiness of the issuer or other measurement factors change, the Company may reevaluate the desirability of holding individual securities to maturity.

While the Company holds a fixed maturity investment, it does not realize any gain or loss in the event of a change in market value. The Company does realize gains and losses upon the disposition of its investments and realizes losses even while holding an investment when it determines that there has been an impairment of value of an investment that is other than temporary. At March 31, 1992 the fixed maturity portfolio contained gross unrealized gains of $63,899,000 and gross unrealized losses of $27,824,000.

The Company continually evaluates the creditworthiness of each issuer of securities held in its portfolio. When the market value of an individual security declines materially, or when the Company's ongoing evaluation indicates that it may be likely that the Company will be unable to realize the carrying value of its investment, significant review and analytical procedures are performed to determine the extent to which such declines are attributable to changing market expectations regarding general interest rates and inflation and other factors such as a perceived increase in the credit risk of the issuer, a general decrease in a particular industry sector or an overall economic decline.

FINANCIAL CONDITION--Continued

Declines in market value attributable to factors other than market expectations regarding general interest rates and inflation are reviewed and analyzed in further detail to determine if the decline in value is other than temporary. If evidence does not exist to support a realizable value equal to or greater than the carrying value of the investment, the decline in market value is considered to be other than temporary, and the carrying amount of the investment is reduced to its net realizable value based upon estimated nondiscounted cash flows. The amount of the reduction is reported as a realized loss on investments and the net realizable value becomes the new cost basis of the investment. In addition, the Company reverses any accrued interest income previously recorded for the investment, and records future interest income only when cash is received.

The Company's use of nondiscounted cash flows to evaluate net realizable value may result in lower realized losses in the current period than if the Company had elected to use discounting in its evaluation process. Also, yields recognized in future periods on such investments may be less than yields recognized on other investments and will be less than the yield expected when the fixed maturity security was originally purchased. The effect on net income from declines in interest income and portfolio yield from impaired securities in future periods will depend on may factors, including the level of interest rates credited to policyholder account balances. Inasmuch as interest rates credited to the Company's policyholders are typically only guaranteed for one year, after which they may be changed at the Company's option, the Company does not expect any material adverse effect on net income in future periods from declines in yields from impaired securities.

At March 31, 1992 the Company had identified nine issuers whose ability to comply with the contractual terms of their obligations was doubtful. Investments in these issuers had a total reported value of $11,090,000, after cumulative write-downs of $13,025,000 (to estimated net realizable value), and had an estimated market value of $8,405,000. All of these issuers were in default at March 31, 1992. In addition, the aggregate carrying value of fixed maturity securities at March 31, 1992 and December 31, 1991 was reduced by an allowance for credit losses of $3,000,000 to provide for losses existing in corporate fixed maturity investments which may occur in the future due to conditions unknown to the Company at those dates.

As noted above, the Company's policy is to discontinue the accrual of interest and eliminate all previous interest accruals from accrued investment income for all defaulted securities, including any securities for which the Company has yet to realize an impairment in value due to the Company's assessment that the carrying value of such investment will ultimately be realized in full. Approximately $915,000 and $1,140,000 of investment income was foregone during the first quarter of 1992 and 1991, respectively, due to nonaccruing securities.

FINANCIAL CONDITION--Continued

At March 31, 1992 the Company held investments in the securities of eleven issuers with an aggregate reported value of $16,990,000 and an estimated market value of $13,005,000 which were on nonaccrual status. If these securities remain on nonaccrual status, the income foregone on an annualized basis would be approximately $3,513,000.

At March 31, 1992 the Company had $1.8 billion, or 72% of its fixed maturities portfolio, in mortgage-related securities. The yield characteristics of mortgage-related securities differ from those of traditional fixed income securities. The major differences typically include more frequent interest and principal payments, usually monthly, and the possibility that prepayments of principal may be made at any time. Prepayment rates are influenced by changes in current interest rates and a variety of economic, geographic, social and other factors and cannot be predicted with certainty. The yields to maturity of the mortgage-related securities will be affected by the actual rate of payment (including prepayments) of principal of the underlying mortgage loans.

In general, prepayments on the underlying mortgage loans, and subsequently the mortgage-related securities backed by these loans, increase when the level of prevailing interest rates declines significantly below the interest rates on such loans. When declines in interest rates occur, the proceeds from the prepayment of such securities are likely to be reinvested at lower rates than the Company was earning on such securities.

During 1990, the Company restructured approximately $270 million of its mortgage-backed security portfolio by selling pass-through certificates and reinvesting the proceeds in various components of collateralized mortgage obligations ("CMOs"), including interest only, principal only and zero coupon mortgage-backed securities. The purpose of this restructuring was to increase the overall yield from the investment portfolio. During 1992, 1991 and 1990, the Company further increased its holdings of CMOs and, at March 31, 1992, owned approximately $1.2 billion of such investments. While these securities may have greater sensitivity to changes in interest rates than pass-through securities, the Company believes it is adequately compensated for this increased risk and has the necessary resources and capabilities to manage the risk as part of its overall asset/liability matching.

Included in the Company's CMO holdings at March 31, 1992 was $122,091,000 of interest only strips of mortgage-backed securities. The repayment of these interest only securities is dependent upon the actual repayment experience of the underlying mortgage loans. The estimated average yield of the interest only securities at March 31, 1992 was 12.0%. The possibility exists that the underlying mortgage loans could be repaid prior to the Company recapturing its initial cost for the securities. Included in the interest only securities are securities with a carrying value of $70,029,000 and an estimated average yield of 15.5% at March 31, 1992 that pay interest at a rate that varies inversely with LIBOR. As interest rates decrease and prepayments on the underlying mortgage loans accelerate, the interest rates on the inverse variable interest only securities are expected to increase and may offset the decreases in yield on the other interest only securities.

FINANCIAL CONDITION--Continued

The Company's mortgage loans on real estate primarily consist of residential and small commercial mortgage loans on real estate located in the upper midwest (North Dakota, Iowa and Minnesota) and the southwest (New Mexico, Arizona and Texas). At March 31, 1992, the mortgage loan portfolio was diversified over aporoximately 950 properties with an average loan size of $162,000. Approximately 80% of the loans by count (45% by dollar) are on single family and multi-family residential properties with the remainder on a spectrum of commercial loans including retail, office, industrial, nursing home, restaurant and other properties.

Most of the Company's problem loans and losses on the foreclosure or sale of mortgaged properties have been attributable to its southwest loans. Problems with these loans first surfaced in the fourth quarter of 1988, several quarters after deterioration of the southwestern real estate markets had become apparent. The Company's recent experience indicates that these markets are showing signs of improvement and that the trend of the past three years, when it experienced aggregate losses on the foreclosure or sale of mortgaged properties of $7,103,000, is turning around.

At March 31, 1992 the Company had ten mortgage loans with a reported value of $1,724,000 that were more than 90 days past due as to principal and interest payments. Interest due on these mortgage loans was $83,000 at March 31, 1992, of which $8,000 was recognized in the consolidated financial statements.

The Company's allowance for loan losses was $1,000,000 at March 31, 1992 and December 31, 1991. Based upon the relatively low level of mortgage loans more than 90 days past due at March 31, 1992, the Company believes that this allowance provides an adequate reserve against losses on delinquent loans and losses existing in the Company's mortgage loan portfolio that may occur in the future due to conditions unknown to the Company at this time. The Company currently does not anticipate any material changes in its exposure to problem loans that could have a material effect on its financial position, results of operations, liquidity or capital resources.

When a mortgage loan is foreclosed, the real estate acquired is transferred from the mortgage loan portfolio to real estate acquired in satisfaction of debt at its market value on the date of foreclosure. An appraisal of the acquired property at the time of foreclosure is obtained to determine an approximate realizable value for the property. Real estate acquired through foreclosure with a reported value of $5,161,000 at March 31, 1992 is classified as other assets in the consolidated balance sheet and any income received on the properties is netted against related expenses.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity requirements for insurance operations are met by cash flow from life insurance and annuity premiums and deposits, investment income and investment maturities, including monthly principal payments on mortgage-backed securities and mortgage loans. The Company's life insurance business normally generates positive cash flow from operating activities and financing activities. Net funds available to the insurance subsidiaries are primarily invested in readily marketable fixed maturity securities.

Cash flow from operating activities principally results from the excess of investment income and premiums and policy fund charges collected over expenses which principally consist of interest credited to policyholders which is a non-cash expense. Cash flow from operating activities in the first quarter of 1992 was greater than the first quarter of 1991 primarily as a result of increased net income.

Offsetting this increase in cash flow from operating activities was a decline in cash flow from financing activities, primarily due to a decrease in net cash flow from interest-sensitive life insurance and annuity contracts. This decrease continued the trend of the two previous calendar years and resulted from a combination of lower premium collections and increased policy withdrawals and surrenders. The lower premium collections are directly attributable to the controlled growth strategy adopted by the Company in the second half of 1989. This strategy emphasized increasing the profitability of new annuity deposits by offering less competitive initial crediting rates than in previous periods resulting in a reduction in new deposits but a greater return on actual funds received and a strengthening of the insurance subsidiaries' statutory capital and surplus relative to the size of their assets. The increased policy withdrawals and surrenders corresponded to the aging and growth of the annuity and life insurance business in force. The Company anticipates that the additional capital provided to its primary life insurance subsidiary from the proceeds of the proposed offering of preferred stock by a wholly-owned subsidiary of the Company will enable the life insurance subsidiary to increase its premium deposits by growing its annuity business and thereby increase net cash flows from financing activities (see Note E of Notes to Consolidated Financial Statements).

The Company believes that the diversity of its investment portfolio and the liquidity attributable to the large concentration of investments in highly liquid United States government and government agency securities (more than 57% of total investments and more than 51% of total assets at March 31, 1992) provide sufficient liquidity to meet foreseeable cash requirements. Because of the strong positive cash flows of the insurance subsidiaries including the sizable monthly cash flow from mortgage-backed security investments, the Company does not expect to be forced to sell fixed maturity investments prior to their maturities and realize material losses or gains as a result of such sales. However, if the Company experiences unusually high rates of cancellation or surrender of its policies it could be required to sell assets whose market value is less than carrying value and incur losses. At March 31, 1992, the market value of the Company's fixed maturity investments exceeded the carrying value by $36,075,000.

THE STATESMAN GROUP, INC. and Subsidiaries

LIQUIDITY AND CAPITAL RESOURCES--Continued

The parent company's primary sources of liquidity are provided by its life insurance subsidiaries in the form of dividends, principal and interest payments on surplus notes, tax payments for utilization of parent company tax losses and reimbursements of shared expenses. Parent company liquidity is also provided from the issuance of equity and debt securities as appropriate, including the issuance of shares of common stock to the Company's employee stock ownership plan from treasury or authorized but unissued shares. The parent company needs liquidity primarily to service its debt, pay dividends on its preferred stock and pay administrative and operating expenses. The parent company believes that, as in the past, it will be able to obtain sufficient funds to satisfy its obligations.

See Liquidity of Parent Company included in the Management's Discussion and Analysis section of the Company's Annual Report on Form 10-K for the year ended December 31, 1991 for additional discussion of limitations and restrictions on the transfer of funds by the insurance subsidiaries to the parent company.

During the first quarter of 1992 a subsidiary of the Company borrowed $2,600,000 under an existing $27,000,000 line of credit facility with a commercial bank. These funds were used to support new annuity sales by the Company's primary life insurance subsidiary. At March 31, 1992 approximately $8,435,000 remained available through July 1993 under this line of credit.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
(Note: The numbers preceding the exhibits correspond to the specific number within Item 601 of Regulation S-K).

(4) Instruments Defining the Rights of Security Holders, Including Indentures:
(a) The following define the rights of security holders:
(i) Article Fourth of the Certificate of Incorporation, as amended, filed with the Form 8 dated May 12, 1989 as an amendment to Form 10-K for the year ended December 31, 1988, is incorporated herein by this reference.

(ii) The By-laws, as amended, filed with the Form 10-Q for the quarter ended March 31, 1990, are incorporated herein by this reference.

(iii) The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1976 Series Preferred Stock $1 Par, filed with the Form 8 dated May 12, 1989, as an amendment to the Form 10-K for the year ended December 31, 1988, is incorporated herein by this reference.

(iv) The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1987 Series Preferred Stock $1 Par is attached hereto.

(v) The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1987 Series II Preferred Stock $1 Par, filed as of October 15, 1987 with the Form 8-K dated October 14, 1987, is incorporated herein by this reference.

(vi) The Certificate of Registrant Setting Forth Resolution of the Board of Directors Establishing 1988 Series I Preferred Stock $1 Par, filed as of March 25, 1988 with the Form 8-K dated March 24, 1988, is incorporated herein by this reference.

(vii) The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1988 Series II Preferred Stock $1 Par, filed as of March 28, 1988 with the Form 8-K dated March 24, 1988, is incorporated herein by this reference.

(b) The agreement to furnish to the Commission a copy of the loan agreements with the Registrant's lenders is attached hereto.

(11) Statement Re Computation of Per Share Earnings:
This statement is included as Note B in Part I hereof and is incorporated herein by this reference.

(b) Reports on Form 8-K
There are no reports on Form 8-K during the quarter covered by this report.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE STATESMAN GROUP, INC.

Date May 14, 1992

By _____
J.M. Matovina
Vice President, Treasurer and
Secretary

EXHIBIT INDEX

		Page
(4) (a) (i)	Article Fourth of the Certificate of Incorporation, as amended	*
(ii)	The By-laws, as amended	*
(iii)	The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1976 Series Preferred Stock $1 Par	*
(iv)	The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1987 Series Preferred Stock $1 Par	25
(v)	The Certificate of Registrant Setting Forth Resolution of Board of Directors Establishing 1987 Series II Preferred Stock $1 Par	*
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* Incorporated by reference

State of Delaware

Office of Secretary of State

I, MICHAEL HARKINS, SECRETARY OF STATE OF THE STATE OF DELAWARE DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF STOCK DESIGNATION OF THE STATESMAN GROUP, INC. FILED IN THIS OFFICE ON THE THIRTIETH DAY OF JANUARY, A.D. 1987, AT 9 O'CLOCK A.M.

Michael Harkins, Secretary of State

AUTHENTICATION: 11156768

DATE: 03/07/1987

870300164

CERTIFICATE
OF
THE STATESMAN GROUP, INC.
SETTING FORTH RESOLUTION
OF
BOARD OF DIRECTORS
ESTABLISHING
1987 SERIES PREFERRED STOCK $1 PAR

JAN 30 1987

Pursuant to Section 151 of the
Delaware General Corporation Law

THE STATESMAN GROUP, INC. (hereinafter called "Corporation"), a Corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware, DOES HEREBY CERTIFY:

That the Board of Directors of said Corporation, at a meeting duly held on the 12th day of January, 1987, adopted the following resolution:

RESOLVED, Pursuant to the authority vested in the Board of Directors as set forth in paragraph 4 of Article FOURTH of the Amended Articles of Incorporation of The Statesman Group, Inc., that with respect to the 40,000 shares of Series Preferred Stock $1 Par to be issued in accordance with the previous action of this Board, said Board of Directors does hereby fix and state the designations, voting powers, preferences and relative participating, optional or other special rights, and the qualifications, limitations, and restrictions thereof, of such series of Series Preferred Stock $1 Par to be issued as follows:

(a) Designation. The series shall be designated as "1987 Series Preferred Stock $1 Par" and shall consist of 40,000 shares of Series Preferred Stock $1 Par.

(b) Dividend Rights. The annual dividend rate shall be a cumulative cash dividend of 75 cents per share, payable annually with the first annual dividend payment to be made March 15, 1987, and March 15 each year thereafter. The dividend shall rank prior to payment of dividends on the Common Stock of The Statesman Group, Inc. No dividends shall be declared or paid on Common Stock of The Statesman Group, Inc. (other than stock dividends payable in shares of Common Stock) unless full cumulative dividends have been paid or declared and set aside for

payment in full from the date on which any of such 1987 Series Preferred Stock $1 Par shares is issued to the end of the then current dividend period.

(c) Optional Redemption. The Statesman Group, Inc. may, at its option, redeem the 1987 Series Preferred Stock $1 Par, in whole, from date of issue at the redemption as follows in each case plus full cumulative dividends to the applicable date of redemption:

From January 12, 1987 to January 12, 1988	The greater of (1) $440,000, or (2) market value of Corporation's Common Stock determined on an if converted basis based upon the averaging closing price for the 20 trading days immediately preceding the notice of election to redeem.
From January 12, 1988 to January 12, 1989	The greater of (1) $440,000, or (2) market value of Corporation's Common Stock determined on an if converted basis based upon the averaging closing price for the 20 trading days immediately preceding the notice of election to redeem.
From January 12, 1989 to January 12, 1990	The greater of (1) $420,000, or (2) market value of Corporation's Common Stock determined on an if converted basis based upon the averaging closing price for the 20 trading days immediately preceding the notice of election to redeem.
From January 15, 1990 and thereafter	The greater of $400,000 or market value of Corporation's Common Stock determined on an if converted basis based on the averaging closing price for the 20 trading days immediately preceding the notice of election to redeem.

Notice of redemption shall be given by the Corporation by mailing a notice thereof to each holder of record

of shares to be redeemed at the last address of such holder, as the same appears on the books of the Corporation, such notice to be mailed at least thirty (30) days prior to the date designated for redemption. In the event that the Corporation shall have given notice of redemption as aforesaid, and on or before such redemption date shall have deposited with a paying agent, or otherwise set aside at the place designated in such notice, funds sufficient to pay the redemption price of the shares so called for redemption, all shares of stock to be redeemed, as set forth in said notice, shall be deemed to have been redeemed on the date when the funds are so deposited or set aside, whether or not the certificate for such shares shall have been surrendered for redemption; and said shares of stock called for redemption shall, from and after such date, cease to represent any interest whatever in the Corporation or its property; and the holders thereof shall have no rights other than the right to receive the redemption price as above set forth. In the event that any shares so called for redemption shall not have been duly surrendered for redemption within six months next succeeding the redemption date specified in the notice calling such shares for redemption, the funds deposited with any paying agent or set aside for the redemption of such shares may again be used by the Corporation for its corporate purposes, and the holders of the shares so called for redemption but unsurrendered during such six months shall thereafter have only the rights of general creditors against the Corporation for the redemption price of such shares, but without interest.

(d) Liquidation Rights. In the event of any complete, or substantially complete, voluntary or involuntary, liquidation, dissolution or winding up of the Corporation, before any distribution or payment shall be made to the holders of Common Stock, the holders of 1987 Series Preferred Stock $1 Par, at the time outstanding, shall be entitled to receive, out of the assets of the Corporation available for distribution to its shareholders, whether from capital or from earnings, the sum of $400,000. Neither the merger nor consolidation of the Corporation into or with any other corporation, nor the merger of any corporation into the Corporation, nor the sale or transfer by the Corporation of all or any part of its assets shall be deemed a liquidation, dissolution or winding up of the Corporation for the purposes of this sub-paragraph (d).

(e) Voting Rights. Each share of 1987 Series Preferred Stock $1 Par shall be entitled to one vote on each matter submitted to a vote at any meeting of the holders of shares of stock.

(f) Conversion Rights. The holder of any 1987 Series Preferred Stock $1 Par shall have the right, at his option, at any time after three years from the date of issuance (except that, with respect to any such stock which shall be called for redemption, such right shall terminate at the close of business on the fifteenth (15) day prior to the date fixed for redemption of said stock unless the Corporation shall default in the payment due upon redemption thereof) to convert said stock on the basis of one share of 1987 Series Preferred Stock $1 Par into one fully-paid and non-assessable share of Common Stock of the Corporation at an exchange ratio equal to one share of Common Stock valued at $8.694 for each share of 1987 Series Preferred Stock $1 Par valued at $10.00 per share.

(g) Anti-Dilution. If the Corporation shall by subdivision, consolidation or reclassification of shares, or otherwise, change as a whole the outstanding shares of its Common Stock into a different number or class of shares, the conversion price and number of shares issuable upon conversion of the 1987 Series Preferred Stock $1 Par shall be correspondingly adjusted. No fractional shares or scrip representing fractional shares shall be issued upon the conversion of any 1987 Series Preferred Stock $1 Par. If the conversion of any 1987 Series Preferred Stock $1 Par would result in a final fraction, an amount equal to such fraction multiplied by the fair market value of a share of the Common Stock of the Corporation on the day of conversion shall be paid to such holder in cash by the Corporation. The same anti-dilution provision shall apply with respect to any stock dividends paid by the Corporation with the appropriate adjustments being made to protect the anti-dilution rights of the owners of any shares of 1987 Series Preferred Stock $1 Par. If, while any shares of the 1987 Series Preferred Stock $1 Par are outstanding, the Corporation shall consolidate with or merge into another corporation, the holders of the 1987 Series Preferred Stock $1 Par then outstanding will thereafter receive, upon conversion thereof, the securities or property to which a holder of the number of shares then deliverable upon conversion thereof would have been entitled upon such consolidation or merger. A sale of all or substantially all the assets

of the Corporation for a consideration (apart from the assumption of obligations) consisting primarily of securities shall be deemed a consolidation or merger for the foregoing purposes. No adjustment of the conversion price shall be made as a result of or in connection with the issuance of shares of Common Stock of the Corporation pursuant to options or stock purchase agreement granted or entered into with officers or employees of the Corporation or a subsidiary of the Corporation in connection with their employment, whether entered into at the beginning of the employment or at any time thereafter.

(h) No Pre-emptive Rights. No holder of any 1987 Series Preferred Stock $1 Par of the Corporation shall be entitled as of right to purchase or subscribe for or otherwise acquire any shares of stock of any class, whether now or hereafter authorized by the Corporation.

(i) Reservation of Shares for Conversion. The Corporation shall, at all times, reserve and keep available out of its authorized but unissued common shares the full number of common shares into which all shares of 1987 Series Preferred Stock $1 Par from time to time outstanding are convertible.

IN WITNESS WHEREOF, said THE STATESMAN GROUP, INC. has caused its corporate seal to be hereunto affixed and this Certificate to be signed by its President and Secretary this 12th day of January, 1987.

THE STATESMAN GROUP, INC.

By _____
D. J. Noble,
Its President

_____
Its V.P. & Treasurer

EXHIBIT 4 (b)

May 14, 1992

Securities and Exchange Commission
Washington, D.C. 20549

Re: The Statesman Group, Inc. - File No. 0-1283

Gentlemen:

The Statesman Group, Inc. hereby agrees that, with repect to long-term debt not registered under the Exchange Act where the total amount of securities authorized thereunder does not exceed 10 percent of its total assets on a consolidated basis, it will furnish to the Securities and Exchange Commission ("Commission") a copy of the Agreement governing such long-term debt upon the request of the Commission.

Very truly yours,

THE STATESMAN GROUP, INC.

J.M. Matovina
Vice President, Treasurer & Secretary

JMM/nml